

Proposed variation:	Distribution Connection and Use of System Agreement (DCUSA) DCP147 – Preventing UoS Invoices Containing Non-UoS Elements		
Decision:	The Authority ¹ directs that proposal DCP 147 be made ²		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	18 January 2013	Implementation Date:	1 October 2013

Background to the modification proposal

A Distribution Network Operator (DNO) may charge transactional charges for the provision of miscellaneous services that support the competitive supply market (eg meter de-energisation/re-energisation or meter disconnection). The value of the transactional charge is outlined in one of the DNO's Statement of Charges. The value of the charge is calculated by reference to the number or frequency of a specific activity, except where the billing and payment arrangements are provided for under the Master Registration Agreement (MRA), the Balancing and Settlement Code (BSC), or the Connection Use of System Code (CUSC).

The Distribution Connection and Use of System Agreement (DCUSA) outlines how the DNOs should invoice customers for Distribution Use of System (DUoS) and transactional charges. DCUSA paragraph 19.5 states that transactional charges should be invoiced separately to DUoS charges. Different arrangements also apply for transactional and DUoS invoices (eg suppliers must pay transactional charges within 30 days, rather than the 14 day payment terms for DUoS charges).

The DCUSA provides little guidance about which DNO services should be defined as transactional. The DNOs therefore adopt different payment approaches to invoicing revenue protection³ and meter asset provision (MAP) charges (including legacy MAP⁴). Some DNOs bill these services as transactional charges, whereas other DNOs include this charge as part of their DUoS invoices.

The modification proposal

This modification was raised by E.ON (the proposer) following discussions at the Methodology Issues Group (MIG) Billing Supergroup and aims to ensure that all distributors adopt a common approach to billing UoS charges.

If approved, this modification would clarify that MAP charges (including legacy MAP) and revenue protection charges should be classified as transactional charges and therefore not invoiced as part of DUoS charges. The DCMF MIG Billing Supergroup has reviewed different approaches used by the DNOs to invoice suppliers and in their view this is the optimal common approach.

The proposer believes that the modification will better facilitate DCUSA General Objective 3.1.2, as they consider that having a common approach to billing by DNOs will help promote competition by providing more transparency on how DUoS charges are calculated, which would be of particular benefit for small suppliers and new entrants to the supply market.

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ The charge payable to the supplier for the work required to attend, investigate and correct a meter installation including obtaining warrants, in addition to the provision of relevant information back to the supplier and attendance at court (if required).

⁴ Metering equipment that was installed by the licensee at the premises on or before 31 March 2007 and is of the same functionality as was being provided by the licensee at 1 June 2003.

DCUSA Parties' recommendation

The Change Declaration for DCP147 indicates that DNO, IDNO/OTSO⁵, Supplier and DG⁶ parties were eligible to vote on DCP147. In each party category where votes were cast (no votes were cast in the DG party category), there was there was majority (>50%) support for the proposal and for its proposed implementation date. In accordance with the weighted vote procedure, the recommendation to us is that DCP147 is accepted. The outcome of the weighted vote is set out in the table below:

DCP147	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO		SUPPLIER		DG	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	79	21	100	0	100	0	n/a	n/a
IMPLEMENTATION DATE	92	8	100	0	100	0	n/a	n/a

Our decision

We have considered the issues raised by the proposal and the Change Declaration dated 11 December 2012. We have considered and taken into account the vote of the DCUSA Parties on the proposal which is attached to the Change Declaration. We have concluded that:

- implementation of the change proposal DCP147 will better facilitate the achievement of the General DCUSA objectives⁷; and
- directing that the change is approved is consistent with our principal objective and statutory duties.⁸

Reasons for our decision

We consider that this modification has a positive impact on DCUSA General Objective 3.1.2 and its impact on the other General Objectives is neutral.

DCP147 does not propose to make changes to the charging methodologies and therefore we do not consider the DCUSA Charging Objectives to be relevant to our decision.

DCUSA General Objective 3.1.2 – the facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity

The proposer considered that this change proposal facilitates General Objective 3.1.2 by developing a common and transparent approach to DUoS billing, improving transparency for suppliers (especially new market entrants and smaller suppliers), therefore helping to improve effective competition. The majority of respondents to the consultation agreed that this modification would better facilitate DCUSA General Objective 3.1.2. One DNO considered that this change proposal would increase costs and have a negative impact on competition between distributors.

⁵ Offshore Transmission System Operators

⁶ Distributed Generation

⁷ The DCUSA General Objectives (Applicable DCUSA Objectives) are set out in Standard Licence Condition 22.2 of the Electricity Distribution Licence and are also set out in Clause 3.1 of the DCUSA.

⁸ The Authority's statutory duties are wider than matters that the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

We agree that a common approach to revenue protection and MAP charges would provide greater transparency to all suppliers, in particular new entrants. We consider that this change proposal would not adversely affect competition between distributors, as they can still offer additional services (eg revenue protection services). This change proposal merely provides clarity on how these charges should be invoiced. Overall we therefore believe that this change proposal will better facilitate General Objective 3.1.2.

DCUSA General Objective 3.1.3 - the efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences.

One DNO considered that this change proposal would negatively impact DCUSA General Objective 3.1.3 as it is inefficient and costly for DNOs to invoice revenue protection and MAP charges separately to DUoS charges. One DNO suggested that the cost of implementing the necessary billing system changes was £50,000. We consider that any implementation costs for DNOs are offset by a reduction in DUoS validation costs for suppliers and the potential benefits of a more effective supply market. We note that all suppliers considered that this change proposal would lead to reduced validation costs. We consider that DNOs should be able to invoice revenue protection and MAP charges efficiently using the transactional approach.

One supplier considered that the inclusion of revenue protection and MAP (including legacy MAP) charges within DUoS invoices was not compliant with the DNO's obligations under DCUSA and the Distribution Licence. We consider that there is currently no clear guidance on whether revenue protection and MAP (including legacy MAP) charges can be invoiced alongside DUoS invoices. We therefore consider that this change proposal has a neutral affect on DCUSA General Objective 3.1.3.

Additional Comments

The proposer considered that this change proposal would better facilitate Charging Objective 3.1.3. The proposer considers that excluding revenue protection and MAP charges from DUoS invoices will result in DUoS charges that better reflect the costs of distributing electricity to the consumer and avoids the risk of duplicated charges. However, we note that this change proposal does not alter Schedule 16, 17, 18 or 22 of the DCUSA and is therefore not a change to the charging methodologies. We are therefore assessing this change proposal against the DCUSA General Objectives rather than the Charging Objectives.

Implementation date

One DNO suggested delaying implementation of this change until the introduction of smart meters, as they considered that they will undertake less MAP work once this has occurred. We consider that the amount of MAP work undertaken should not affect how these charges are invoiced.

Another DNO suggested that implementation should be delayed until the introduction of a common methodology for MAP charges. We note that any introduction of a common methodology for MAP charges will take considerable time to develop; we therefore do not consider that it would be appropriate to delay the implementation of this modification until that time.

One supplier preferred delaying implementation until the start of a financial year to provide consistency throughout the regulatory year. We note that this change proposal will not alter customer tariffs. We therefore do not object to a mid-year implementation date.

We note that there are several additional billing modifications that are currently being progressed by the working group. To minimise the implementation costs of these change proposals for the DNOs, it is preferable that all approved modifications have the same implementation date. All the modifications have a proposed implementation date of the 1st October 2013.

Decision notice

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal DCP147: '*Preventing UoS Invoices Containing Non-UoS Elements*' be made.

Andy Burgess

Associate Partner – Transmission and Distribution Policy

Signed on behalf of the Authority and authorised for that purpose